

DEFICIT REDUCTION ACT

HOUSE-SENATE CONFERENCE RECONCILIATION PACKAGE

Home Equity Limit for Medicaid Eligibility

- Medicaid currently has no limit on the amount of home equity one can have and still qualify for the program. This means that a person with \$1 million, \$5 million or even \$10 million in home equity can still have Medicaid, a taxpayer-financed health care program intended for the poor, pay for their nursing home care.
- Under the Deficit Reduction Act, persons with more than half-a-million dollars of home equity could no longer qualify for Medicaid. This limit doesn't apply when there is a spouse, minor, or disabled child living in the home or in the case of a demonstrated hardship.
- States also have the option to raise the limit to three-quarters-of-a-million dollars. The limit, at whatever value a state decides, will rise with inflation.
- The limitation only applies to home equity, not simply the value of the home.
- For reference, states with even the highest housing cost states—CA, CT, HI, MA — still have median home values that are well below the proposed limit: California (\$391,000), Connecticut (\$236,000), Hawaii (\$364,000), Massachusetts (\$331,000).
- Many other states have median home values that are well under half of the new proposed limits. These include: New York (\$220,000), Arkansas (\$79,000), Illinois (\$168,000), Iowa (\$95,000), Maryland (\$216,000), Michigan (\$146,000), North Dakota (\$84,000), and West Virginia (\$81,000).
- CBO estimated that a flat \$500,000 cap with no option to go higher would mean that only 5,000 people in the entire country might be affected over the next five years. According to its report, “CBO estimates that about 1 percent of the unmarried applicants for Medicaid nursing home benefits have homes valued at over \$500,000 . . . That figure translates to about 5,000 affected individuals annually by 2010.”
- No one will be forced to sell their home as a result of these changes. Seniors will still have several options that will enable them to receive assistance through Medicaid.
- Seniors can use reverse mortgages and lines of credit are available to lower home equity value. States will also be required to have procedures in place to grant hardships exceptions to people who cannot pay for their care. The “house rich, cash poor” senior will not be denied care.